Briefing

June 2015

European Parliament

Supporting young farmers in the EU

SUMMARY

The European Union farming sector faces a demographic challenge – a shortage of young farmers – that undermines its long-term sustainability. Many socio-economic factors, such as reduced access to land and credit, and lack of rural infrastructure, drive young people away from a career in agriculture.

The EU therefore provides various forms of support and incentives to facilitate young people's entry in the farming business, most notably in the framework of the reformed Common Agricultural Policy (CAP) 2014-2020, which introduced new or strengthened measures to encourage them to set up in farming. Under the first pillar of the CAP, young farmers receive a 25% supplement to the direct aid allocated to their farm, for a period of five years, as part of the 'Young Farmer Scheme' which Member States are obliged to implement. Under the second pillar, they have access to support co-financed under the European Agricultural Fund for Rural Development (EAFRD): a start-up grant and various economic, environmental, development and innovation measures which Member States can choose to include in their national Rural Development Programmes. During the CAP reform negotiations, the European Parliament was instrumental in the adoption of important measures for young farmers. More recently, in the context of CAP implementation at national and regional level, the Council and the Parliament have called for stronger support to help young people overcome economic and market barriers to enter farming.

At the end of March 2015, the European Commission and the European Investment Bank, which have been jointly developing financial instruments for the agricultural sector, presented a new model instrument designed to ease access to credit for agricultural producers, including young farmers.

In this briefing:

- The situation of young farmers in the EU
- Support for young farmers under the reformed CAP
- Implementation by Member States
- New financial instruments to help young farmers
- Main references

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Members' Research Service

PE 559.504

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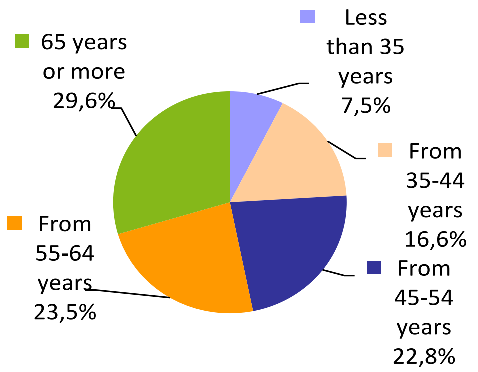
The situation of young farmers in the EU

Key role of present and future European farmers

Farmers fulfil numerous functions in society, the main one being to produce food. In the EU, farmers contribute to food security and provide a variety of high-quality and affordable products. They also deliver environmental services by maintaining landscapes, protecting water and biodiversity, and producing renewable energy. Farmers are also pillars of the rural economy across the EU, as many jobs are directly or indirectly linked to their activity. It is therefore essential to maintain an adequate labour force in farming, notably by trying to ensure generational renewal in the sector.

Figure 1 - Farmers are becoming older



Data source: Eurostat (Farm structure survey 2010)

Dwindling numbers of young farmers

The EU farming sector has undergone major structural changes over recent decades. One of the main long term trends is the reduction in the overall number of farms and agricultural jobs: between 2000 and 2012, 4.8 million full-time jobs in EU agriculture disappeared, 70% of them in the Member States which joined the EU after 2004. This decline has been coupled with a steady increase in the average size of farms. Another major dimension of structural change is the general **ageing of the farming population** (see Fig. 1): according to a recent Eurostat publication based on 2010 data, almost 30% of farm managers in the EU-28 are aged 65 years or more, an absolute majority of them (53.2%) being 55 years old or older. Conversely, farmers younger than 25 years account for only 0.8% of all farm managers, and those younger than 35 represent 7.5% of all managers. Moreover, the decline in the number of young farmers has been sharper than the decrease in the elderly farming population. These statistics also indicate that the relative share of young farmers varies significantly across Member States. Poland is the country with the highest proportion of farmers under 35 (14.7%), followed by the Czech Republic (11.7%) and Austria (10.7%). At the other end of the scale, in Portugal and Cyprus, young farmers account for only 2.6% of all farm managers.

Barriers to the setting-up of young farmers

A number of studies have been conducted at European level over the past years to identify the factors deterring young people from entering the farming sector.

First of all, young farmers face economic barriers: young people willing to enter farming find it extremely difficult to set up holdings that are **economically viable**, provide full time employment and enable them to earn a sufficient income. More generally, the lower income generated by farming in relation to other economic sectors is considered a deterrent.

Another hurdle is **access to agricultural land and credit**. Young people who start or take over a farming business need to make high investments, especially during the first years. However, the present economic crisis has made access to credit even more difficult for many young entrepreneurs. Access to land, the main production factor in agriculture, is also limited. In the European Union, nearly 70% of young farmers work on farms smaller than 10 ha. The majority of them take over land from family members, but older farmers now tend to stay active longer, are physically able to work to a greater age, are sometimes very attached to a job which is also their lifestyle and, in numerous cases, can only expect low pension benefits when they retire. The resulting slow exit rate of farmers means that successors may have to wait longer.

Land is scarce and on average very expensive in the European Union, where the phenomenon of 'land-grabbing'[1] occurs, notably in Hungary, Romania and Bulgaria. Furthermore, inadequate transfer of innovation and lack of information exchange and professional experience within the European agricultural sector, constitute a further barrier to the settlement of young farmers. Finally, from a **social** point of view, young people tend to consider farming activity as an unrewarding job characterised by low incomes and low returns on investment, long hours, few holidays (especially on a farm with livestock), many risks and uncertainties. Being a farmer also means living in a rural environment which sometimes does not offer enough education, social and health services, phone and internet coverage, job opportunities and public transport, and where it proves more difficult to lead a fulfilling social life.

Well aware of the difficulties encountered by young farmers, **Member States** grant them support by applying various schemes within their own national legal and institutional frameworks. However, national support financial measures must be compatible with EU internal market rules. In 2014, the European Commission adopted new legal instruments on State aid, mainly the Guidelines for State aid in the agricultural and forestry sectors and in rural areas 2014-2020 and the Agricultural Block Exemption Regulation, aligning the criteria under which Member States may support agriculture, forestry and rural areas with the new EAFRD regulation, broadening the scope for aid, and simplifying procedures for Member States. A special provision for acquisition of land by young farmers was also added.

Support for young farmers under the reformed Common Agricultural Policy

Beyond individual Member State measures, young farmers benefit from specific support at European level, mainly through the Common Agricultural Policy.

Additional payments under Pillar I of the Common Agricultural Policy

Building on previous reforms, the new CAP adopted in December 2013 provides a policy framework aimed at supporting and encouraging farmers to address new economic, environmental and territorial challenges. The CAP rests on two main pillars. Pillar I consists of market support (interventions in agricultural commodity markets) and **income support**. The latter (direct payments) provides farmers with a basic income and remunerates them for the provision of public environmental goods, as provided for by Regulation (EU) No 1307/2013 establishing rules for direct payments to farmers. Pillar I is funded by the European Agricultural Guarantee Fund (EAGF) and accounts for 70% of the total CAP budget. Pillar II is the rural development dimension of the CAP and is funded by the European Agricultural Fund for Rural Development (EAFRD).

The previous CAP 2007-2013 already included schemes in favour of young farmers. Those measures deemed efficient are retained in the reformed CAP 2014-2020, while new ones have been introduced as further incentives.

To address the demographic challenge in the agricultural sector and encourage young people to embark on a farming career, legislators have, for the first time, introduced a specific package for them in **Pillar I** – the **'Young Farmer Scheme'** (IFS) – complementing support made available under Pillar II. Regulation (EU) No 1307/2013 on direct payments stipulates that the aim of the IFS is 'to facilitate the initial establishment of young farmers and the structural adjustments of their holdings after the initial setting up', and defines **young farmers** as natural persons, setting up an agricultural holding for the first time or have set up a holding in the previous five years, and who are no more than 40 years of age. Under the YFS, young farmers receive an annual 25% top-up to their basic payment for a period of five years from the date of their installation. The IFS is compulsory for Member States, which means that they are obliged to allocate up to 2% of their national direct payment envelope to these supplementary payments. They can choose to strengthen the eligibility criteria by defining further requirements (such as adequate training or submission of a business plan).

Pillar II of the CAP

EU rural development policy makes up the second pillar of the CAP and has been strengthened in the reformed CAP 2014-2020. One of its key principles is that Member States or regions draw up their own multi-annual rural development programmes on the basis of a catalogue of targeted measures, proposed by the EU in the EAFRD regulation and designed to help all farmers contribute to fulfil three main rural development objectives: sustainable management of natural resources and climate action, competitiveness of agriculture and balanced territorial development of rural areas.

Support dedicated to young farmers under Pillar II (rural development)

Within the list of indicative measures proposed in the EAFRD regulation, 'Farm and business development' (Article 19) includes **start-up aid for young farmers** setting up an agricultural holding for the first time. It is a flat-rate payment, amounting to maximum €70 000, paid in at least two instalments over a maximum of five years, and conditional upon the submission and successful implementation of a business plan. This measure was already available during the past period 2007-2013. The former EAFRD regulation also proposed a measure fostering **early retirement,** and thus the transfer of holdings to young farmers. However, owing to its limited impact, it was not included in the new regulation.

A new feature of the EAFRD regulation 2014-2020 is the possibility for Member States to include a **sub-programme dedicated to young farmers** within their rural development programmes (RDPs) and choose measures of particular relevance to this theme from a list provided in the regulation (sub-programmes can also cover other themes to which special and detailed attention must be devoted, such as small farms, mountain areas, women in rural areas, climate change mitigation/adaptation, biodiversity and short supply chains). As regards young farmers, in addition to the start-up aid mentioned above, some appropriate measures suggested are 'Investments in physical assets' (Article 17 of the EARFD regulation), with a higher support rate (up to +20%),[2] 'Knowledge transfer and information actions' (Article 14) and 'Advisory services, farm management and farm relief services' (Article 15), which provides for 'specific advice for farmers setting up for the first time'.

The EAFRD regulation 2014-2020 also provides for support in the field of innovation. Young farmers are indeed the future of European agriculture – they are likely to have innovative ideas, to be technology-friendly and open to new means of communication. They are also generally better trained than older farm managers. As such, they are well placed to benefit from the opportunities offered by the 'European Innovation Partnership for Agricultural Productivity & Sustainability' (EIP-AGRI),[3] launched by the European Commission in 2012. Although not specifically designed for the younger generation of farmers, Member States can include this tool in their rural development programmes to support innovation projects led by operational groups (composed of farmers, advisors, scientists, NGOs, and businesses, working in cooperation). The aim is to develop new products, processes and technologies in the agri-food and forestry sectors, at regional or national level, and generally foster competition and sustainable farming. The EIP-AGRI pools funding from two main sources: the EAFRD and, for multinational innovation projects, from Horizon 2020, the EU research and innovation programme.

The European Parliament's role in the negotiation of young farmer measures

According to a study prepared for the Parliament's Policy Department on 'The first CAP reform under the ordinary legislative procedure: a political economy perspective', the European Parliament had a decisive influence on the final outcome of the negotiations with the EU Council and the European Commission, which took place between April and September 2013, and generally obtained more favourable conditions for young farmers. It was the Parliament which managed to ensure the mandatory nature of the top-up payment included in Pillar I of the CAP, when the Council wanted to make it optional for Member States. Parliament also secured an increase in the ceiling on the number of eligible hectares, from 25 to 90, for this same measure. As far as the 'start-up aid' for young farmers under Pillar II is concerned, the Parliament succeeded in changing the definition of a young farmer, imposing the wording 'no more than 40 years of age' instead of the proposed 'less than 40 years of age', thus slightly extending the eligibility criterion.

After the revised CAP was adopted, the Parliament continued to focus on these issues, including during the hearings of the incoming Commissioners in October 2014, when Members questioned the Commissioner-designate for Agriculture and Rural Development on the measures he intended to take to help young farmers. In his answer, Mr Hogan notably announced that the European Commission and the European Investment Bank were working together on ways to provide additional co-financing support.

Implementation by Member States

For the implementation of the reformed CAP, 2014 was a transition year. As of 2015, Member States have to implement the new direct payment system – including the top-up payment for young farmers. A majority of countries intend to dedicate 2% of their national Pillar I envelope – which is the maximum rate – to fund these additional payments. As regards Pillar II support, 118 national and regional rural development programmes (RDPs) have been submitted to the European Commission for approval and 51 adopted by 26 May 2015, for a total of more than €62 billion (roughly 62% of total EAFRD funds). According to the data available to the European Commission in May 2015, 24 Member States intended to use the start-up aid for young farmers (measure included in 80% of all national or regional RDPs), for a total of €5.3 billion public expenditure. Some 155 000 farms would be supported in this way. As regards the European Innovation Partnership, 25 Member States were also considering using this feature, which is included in 89 RDPs.

New financial instruments to help young farmers

The EAFRD regulation provides that Member States or regions may include financial instruments, such as guarantee funds, in their RDPs. These improve access to financial opportunities such as favourable loans and bank guarantees for farmers. Financial instruments were already available in the period 2007-2013 but were left largely unused by Member States. In an effort to boost the use of such instruments, the European Commission and the European Investment Bank (EIB) signed a Memorandum of Understanding on cooperation in agriculture and rural development in July 2014. On 23 March 2015, they were able to jointly present a 'model guarantee instrument' for agriculture, which can be used immediately by Member States to set up financial instruments in their RDPs. They should thus be able, notably, to secure loans to help young farmers make the necessary investments to start, expand or diversify a business. This achievement meets concerns expressed by the Council and the European Parliament towards the end of 2014, that despite the specific support package dedicated to young farmers under the CAP, further help was needed to make credit more accessible and foster investments in rural jobs. The European Council of Young Farmers (CEJA), representing around two million young European farmers across 24 Member States, also reinforced this point. Considering that this form of support was missing in the reformed CAP, CEJA suggested that the EIB could offer guarantees to banks in order to ease credit access for young farmers.

Main references

EU measures to encourage and support new entrants, European Parliament, Directorate-General for Internal Policies, Policy Department B, 2012.

CAP 2014-2020 tools to enhance family farming: opportunities and limits, European Parliament, Directorate-General for Internal Policies, Policy Department B, 2014.

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Endnotes

1 Large-scale acquisition of farming land for investment purposes.

2 The support rate is the rate of public contribution to an operation.

3 See article 55 of the EAFRD. EIP-AGRI is one of the five EIP Partnerships specified in 'An innovation Union', an EU flagship initiative, part of the Europe 2020 Strategy designed to foster innovation.

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